

Message Text

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AMEMBASSY BELGRADE
USMISSION EC BRUSSELS
USMISSION GENEVA

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PASS: USDA FOR FRASER AND WITCHER, FAS.

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SUBJECT: JOINT WORKING PARTY (JWP) OF AGR. AND TRADE
COMMS, DECEMBER 8-10, 1976.

REF: OECD PARIS 36463

1. SUMMARY. CONSULTATIONS ON MEAT QUOTA ACTIONS
REPORTED REFTEL. JWP DISCUSSION ON CAUSES AND
CONSEQUENCES OF MARKET INSTABILITY FOR MAJOR AGRICULTURAL
PRODUCTS-- GRAINS, FEEDSTUFFS, MEAT AND DAIRY-- PROCEEDED
SMOOTHLY. US STATEMENT ON INSTABILITY IN CEREALS SECTOR
WAS WELL RECEIVED WITH ONLY UK AND EC DELS EXPRESSING
MILD RESERVATION THAT STATEMENT IMPLIED CRITICISM OF
CERTAIN COUNTRIES' POLICIES. SECRETARIAT WAS ESPECIALLY
PLEASED WITH US STATEMENT BECAUSE IT PUT GOVERNMENT
POLICY CONSIDERATIONS ON THE TABLE IN A STRONG ANALYTICAL
FRAMEWORK. WITH VIRTUALLY ALL DELEGATIONS REFERRING TO
GOVERNMENT POLICIES IN ONE CONTEXT OR ANOTHER, NO
DELEGATION TRIED TO BLOCK INCLUSION THIS FACTOR IN
FUTURE ANALYTICAL WORK OF SECRETARIAT. NEXT MEETING OF
JWP TO BE IN LATE APRIL OR EARLY MAY. CHAIRMAN (SHEPHERD
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OF NEW ZEALAND) AND SECRETARIAT AGAIN URGED DELS TO

SUBMIT ANALYTICAL COUNTRY NOTES ASAP. END SUMMARY.

2. AGENDA ADOPTED (AGR/TC/WP/A(76)2, 15 NOVEMBER, AND ADDENDUM, 3 DECEMBER; LATTER INSERTED TWO NEW ITEMS, "2. CONSULTATIONS CONCERNING RECENT CHANGES IN AGRICULTURAL TRADE POLICIES AND PRACTICES AFFECTING CERTAIN MEATS" AND "7. ADOPTION OF REPORT ON THE CONSULTATIONS REFERRED TO IN ITEM 2", AND RENUMBERED FORMER ITEMS 2-7). REFTEL REPORTING ON CONSULTATIONS ONLY SENT TO WASHINGTON, DIRECTLY INTERESTED POSTS, AND MISSIONS IN BRUSSELS AND GENEVA.

3. "MARKET INSTABILITY" WAS DISCUSSED 3 HALF-DAYS, FROM MID-AFTERNOON DECEMBER 8 TO MID-MORNING, DECEMBER 10. COUNTRY PAPERS BY AUSTRALIA AND NEW ZEALAND INTRODUCED. IN SHORT PRELIMINARY DISCUSSION, SECRETARIAT OFFERED TWO DEFINITIONS OF INSTABILITY: (1) IN A BROAD SENSE IT COULD BE THOUGHT OF AS UNPREDICTABILITY; (2) IT CLEARLY MEANT MORE THAN JUST CHANGE (WHICH IS NORMAL AND DESIRABLE) BUT IMPLIED ADJUSTMENT HAVING SEVERE CONSEQUENCES. APPARENTLY ANTICIPATING POSITION OF EXPORTING COUNTRIES, UK DEL (EDWARDS) SAID JWP SHOULD NOT DISCUSS GOVERNMENT POLICIES AS A CAUSE OF INSTABILITY.

4. DURING DECEMBER 9, A.M., SESSION US DEL (SIMPSON) REFERRED TO SECRETARIAT'S DEFINITIONS TO ILLUSTRATE THAT GOVERNMENT POLICIES WERE CAUSAL FACTORS IN INSTABILITY. CONCERNING UNPREDICTABILITY, SOVIET GRAIN PURCHASES IN 1972 AND SEVERE CUTBACKS IN MEAT IMPORTS BY SOME COUNTRIES IN 1974 WERE ACTIONS BEYOND WHAT MIGHT HAVE BEEN EXPECTED OR PREDICTED. CONCERNING SEVERITY OF IMPACT, THE FAILURE OF MANY OECD COUNTRIES TO MAKE ANY SIGNIFICANT DOMESTIC ADJUSTMENT IN RESPONSE TO EXTREME PRICE AND DEMAND PRESSURES ON THE WORLD GRAIN MARKET DURING 1972-75 MAGNIFIED THE IMPACT ON EXPORTING COUNTRIES. STRESSING THAT THERE WAS A DISTINCTION BETWEEN INTERNAL SOCIAL POLICIES AND EXTERNAL TRADE POLICIES, SIMPSON STATED THAT THE US ANALYSIS CONCERNING GRAINS PERTAINED TO THE LATTER. HE EMPHASIZED THAT THE UNCLASSIFIED

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ISSUE WAS TO DETERMINE WHETHER OR NOT TRADE POLICIES WERE CAUSES OR AGGRAVATING FACTORS IN INSTABILITY. THIS SHOULD BE APPROACHED WITH THE SAME OBJECTIVITY AND DETACHMENT THAT THE SECRETARIAT HAD APPLIED TO TECHNICAL AND ECONOMIC FACTORS. HE THEN PRESENTED A DETAILED VERBAL ANALYSIS OF THE EXPORT RESPONSE AND STOCK AND CONSUMPTION ADJUSTMENTS IN THE US DURING 1972-75 AND CONTRASTED THIS EXPERIENCE (SHARED BY CANADA AND

AUSTRALIA) TO THAT OF OTHER OECD COUNTRIES COLLECTIVELY.

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HE POINTED OUT THAT WHILE SMALL, CONTINUING AND WIDELY SHARED ADJUSTMENTS IN CONSUMPTION WERE A FEASIBLE MEANS OF ADJUSTING TO NORMAL AND GENERALLY SMALL VARIATIONS IN TOTAL GRAIN PRODUCTION, FEASIBLE STOCK HOLDING CAPACITY WAS VERY SMALL IN RELATION TO WORLD PRODUCTION. MOREOVER, THE CUMULATIVE EFFECTS OF SUCCESSIVE WORLD PRODUCTION SHORTFALLS WAS AN ADDED FACTOR. IN SHORT, STABILIZATION OF DESIGNATED PRICE LEVELS BY BUFFER STOCKS WOULD BE AN ENORMOUSLY COSTLY PROPOSITION IN THE ABSENCE OF MORE MARKET-DIRECTED TRADE POLICIES. FINALLY, HE PROPOSED THAT THE JWP AGREE TO REQUEST THE SECRETARIAT TO PREPARE A DISCUSSION PAPER ON POLICY FACTORS RELATING TO CAUSES OF INSTABILITY.

5. A LIVELY BUT NON-CONFRONTATIONAL DISCUSSION ENSUED DURING WHICH AUSTRALIA, NEW ZEALAND, AND CANADA SUPPORTED THE US POSITION ON POLICY FACTORS, AND OTHER COUNTRIES EXPRESSED INTEREST IN THE ANALYTICAL ASPECTS. THE EC (BRUDERER) RESPONSE WAS LOW-KEY, EXPRESSING THE

VIEW THAT IMPORTING COUNTRIES SHOULD NOT HAVE TO SHARE ANY ADJUSTMENT BURDEN AND THAT THE OBVIOUS GRAINS SOLUTION WAS A MULTILATERAL COMMODITY AGREEMENT. IN THE UNCLASSIFIED

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ENSUING DISCUSSION ON FEEDSTUFFS, THE INTERRELATIONSHIP BETWEEN GRAINS AND SOYBEANS WAS EXPLORED. SIMPSON RESPONDED TO EC DESPAIR OVER VARIATIONS IN SOYBEAN PRODUCTION IN THE US BY SAYING THAT IN MANY COUNTRIES, ESPECIALLY THOSE WITH RELATIVELY HIGH GRAIN SUPPORT PRICES, THERE WAS SUBSTITUTABILITY BETWEEN GRAINS AND SOYBEAN MEAL AND THAT US PRODUCERS ALLOCATED THEIR ACREAGE BETWEEN GRAINS, SOYBEANS, COTTON, AND OTHER CROPS ON THE BASIS OF GREATEST POTENTIAL NEED (AS INDICATED BY PROFIT POTENTIAL). THIS WAS THUS A STABILIZING FACTOR FOR THE WORLD GRAIN/FEED COMPLEX AS A WHOLE, AS WELL AS FOR AGRICULTURE GENERALLY.

6. DISCUSSION OF MEAT WAS RELATIVELY SHORT IN VIEW OF PREVIOUS DAY'S CONSULTATIONS. POSITIVE ELEMENTS OF US MEAT IMPORT LAW THAT OTHER COUNTRIES MIGHT WELL ADOPT WERE NOTED BY AUSTRALIA. DAIRY DISCUSSION FOCUSED ON STRUCTURAL CHANGES--EG, DISPLACEMENT OF NON-FAT DRY MILK BY VEGETABLE PROTEINS IN ANIMAL FEED USE WHICH EC CALLED EXAMPLE OF HOW FREE MARKET WORKS TO DESTABILIZE RATHER THAN TO STABILIZE. UK DEL SAID DAIRY AN AREA WHERE US DOES NOT PRACTICE WHAT IT PREACHES. US DEL (HIRSCH) POINTED OUT THAT US HAS REPEATEDLY STATED ITS DAIRY RESTRICTIONS ARE NEGOTIABLE IF THOSE OF OTHER COUNTRIES ARE.

7. AT CONCLUSION OF DISCUSSION, CHAIRMAN OUTLINED AREAS FOR FURTHER ANALYSIS BY THE SECRETARIAT, INCLUDING CONSIDERATIONS RELATING TO GOVERNMENT POLICIES. CHAPTER ON CAUSES AND CONSEQUENCES OF INSTABILITY TO BE WRITTEN. ADDITIONAL COUNTRY NOTES INVITED, OUTLINES FOR SUCH NOTES TO BE FURNISHED IN JANUARY IF POSSIBLE. AT NEXT MEETING JWP WILL TAKE UP NEW ANALYSIS BY SECRETARIAT PLUS AN INITIAL DISCUSSION PAPER ON THE IMPLICATIONS AND LIKELIHOOD OF FUTURE INSTABILITY.

8. COMMENT ON "INSTABILITY" DISCUSSION. SECRETARIAT OFFICIALS PRIVATELY EXPRESSED GREAT INTEREST IN US STATEMENT AND URGED THAT ANALYSIS BE MADE AVAILABLE AS A COUNTRY NOTE AS SOON AS POSSIBLE. THEY SEIZED ON BURDEN SHARING CONCEPT IMPLICIT IN US STATEMENT AS UNCLASSIFIED

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EXTREMELY HELPFUL AND SOMETHING THAT SECRETARIAT HAD TRIED TO PROMOTE IN THE PAST. CONCEPT OF CONSUMPTION ADJUSTMENTS WAS CALLED "POWERFUL". WHILE PROCEEDING WITH CARE TO AVOID OBSTRUCTIONISM BY EC, SECRETARIAT OFFICIALS CLEARLY WANT JWP REVIEW OF INSTABILITY TO GO AS FAR AS POSSIBLE IN RAISING NEW IDEAS IN FINAL STAGE WHEN SOLUTIONS ARE DISCUSSED. THEY ARE READY AND EAGER TO WORK DIRECTLY WITH US AND OTHER COUNTRIES FOR IDEAS AND ANALYTICAL SUPPORT. THUS IT IS POSSIBLE THAT FINAL PAPER MAY BE USEFUL IN MTN CONTEXT.

9. NO DISCUSSION OF AGR(76) 20 AND 28 AND OF CHANGES IN AGR TRADE POLICIES AND PRACTICES OTHER THAN MEAT MEASURES. RECENT DISCUSSIONS OF COMMODITY PROBLEMS IN HIGH LEVEL GROUP, CIEC, AND ELSEWHERE REVIEWED BY SECRETARIAT (MCCLAY). REPORT ON MEAT CONSULTATIONS ADOPTED.

10. NEXT MEETING TENTATIVELY PLANNED FOR PENULTIMATE WEEK OF APRIL OR FIRST WEEK OF MAY.
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